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MEMORANDUM

THE WHITE HOUSE
WASHINGTONINFORMATION

3680

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MEMORANDUM FOR:

THE PRESIDENT

FROM:

HENRY A. KISSINGER *HK*

SUBJECT:

Possible Discussions with the
Shah in Tehran

Peter Flanigan in the attached memorandum reports on the current state of negotiations between the oil consortium and the Iranian Oil Company. These negotiations are being led on the Company side by Ken Jamieson, Chairman of Standard Oil of New Jersey.

The request that comes through Mr. Flanigan is that the Shah, during your discussions in Tehran, not be encouraged in his desire for access to the US market for Iranian oil. His point is that such access would make our relations with other Persian Gulf countries as well as with Venezuela extraordinarily difficult and would make impossible the already difficult task of managing the mandatory oil import program.

It is certainly true that granting special terms of access for one country like Iran to the US market would, as Mr. Flanigan says, make it very difficult to administer the whole oil import program and would create problems with other Persian Gulf suppliers. It is also possibly true that the Shah will put less emphasis on access to the US market because Iran will probably have little difficulty in marketing its oil elsewhere in view of expanding world needs. Whereas this was a major item on his mind when he visited here in 1969, the world market has changed sufficiently that he may feel less strongly about it now.

The one general issue that this raises in my mind, however, is that if the criteria we should use for deciding from which countries we import oil and other energy products as our needs for imported energy increase over the next decade. It would be possible, for instance, to

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establish criteria which would make it possible to select friendly countries and to import from them rather than from less friendly ones. At present there is the possibility that we could import energy products from a wide variety of sources, but very little work has been done on the merits of these different alternatives taking into account security of source, political issues, costs, etc. I believe this should be more thoroughly examined than it has been.

In the short term, however, I agree with Mr. Flanigan that the line for you to take with the Shah is essentially not one of encouraging him to expect immediate access to the U.S. market but to discuss in general the problems you have in this field and to promise to work with the Iranians on it. Admiral Moorer has mentioned to me the importance he attaches to your expressing your appreciation to the Shah for the key role Iran has played in the interest of stability of energy relationships in the Free World and the hope that Iran will continue to play a moderate role.